



The Status of Local Telephone Competition in South Carolina 2018 Annual Report

South Carolina
Office of Regulatory Staff



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OVERVIEW

- Status of competition in the local telephone exchange market
- Effects of changes that occurred in 2018
- Consumer complaints that the ORS receives and resolves

Introduction

South Carolina Code Ann. § 58-9-280 (G)(3) (Supp. 2015) requires the South Carolina Office of Regulatory Staff (ORS) to compile information to monitor the status of local telephone competition in South Carolina. In compiling this information, ORS requires all local exchange carriers, as defined in South Carolina Code Ann. § 58-9-10(12), to report to ORS annually, the total number of access lines providing local exchange telecommunications services to an end user in South Carolina. ORS must also maintain a copy of all written complaints received regarding the impact broadband services may be having on the competitive local exchange market. This information must be compiled and made available prior to May fifteenth of each year.

In earlier local competition reports, the ORS sourced information for South Carolina from reports compiled and published by the Federal Communications Commission (FCC). The FCC did not publish or make available the Form 477 or the Voice Telephone Report which limits the data available for the 2018 Local Competition Report. ORS relied on information reported to ORS by the

communication carriers in the 2017 Annual Report and the 2018 South Carolina Universal Service Fund (SC USF) Worksheet.

Notable Telecommunications Events of 2018

The Public Service Commission of South Carolina (Commission) issued Order No. 2016-837 in Docket No. 2016-267-C on December 15, 2016. This order required all interconnected Voice over Internet Protocol (VoIP) service providers, “regardless of whether they hold a Certificate of Public Convenience and Necessity issued by the Commission,” to contribute to the SC USF based on revenues from their retail voice communications services.

Interconnected VoIP service providers were directed to contribute on a prospective basis and to submit information to ORS. Based on the Commission Order, VoIP service providers began reporting using the SC USF Worksheet on August 1, 2017, and some of those reporting VoIP revenue began contributing to the SC Universal Service Fund in January 2018. Beginning January 1, 2018, interconnected VoIP providers were required to support the SC USF.

Local Telephone Competition

The local telephone market is defined as the delivery of voice telephone service to residential and/or business customers over a wired or wireless communications path regardless of the technology used. Traditional wired telephone service, VoIP service, and wireless or cellular telephone service make up the local telephone market today. Each of these services allows two or more individuals to engage in a simultaneous speaking conversation, even though they are not all located in the same place and are considered direct substitutes for each other. Local competition is measured by counting the number of access lines, telephone lines, or wireless handsets sold or controlled by each provider.

Incumbent Local Exchange Carriers (ILECs) are the traditional local telephone companies that existed prior to the Federal Telecommunications Act of 1996. The term “local telephone service” is fast becoming obsolete as ILECs and Competitive Local Exchange Carriers (CLECs) are converting their services to VoIP technology, and wireless/cellular service continues to increase in dominance as the preferred personal communications device of most individuals.

The number of wired access lines in South Carolina as reported to the ORS peaked in 2002 and has gradually declined since that time. This trend may be attributed to the increasing number of households replacing their wireline telephone with a cell phone. This phenomenon has been studied extensively by the Centers for Disease Control and Prevention, National Center for Health Statistics (CDC). The most recent data published by the CDC estimates that in South Carolina 53% of all households now exclusively use a wireless phone for communication, or they are “wireless-only.”¹ In households with children under age 18, representing younger families, the wireless-only percentage is nearly 68%.²

While VoIP service is gradually replacing traditional TDM-based telephone service, VoIP service is still delivered over a copper or fiber optic connection to the customer’s location. VoIP is further delineated as either interconnected or non-interconnected.³ Interconnected VoIP providers are required to contribute to the federal Universal Service Fund (USF) and federal Telecommunications Relay Service Fund (TRS)⁴. On the federal level, interconnected VoIP providers are

¹ NCHS, National Health Interview Survey, 2013–2017; U.S. Census Bureau, American Community Survey, 2012–2016; and infoUSA.com consumer database, 2013–2017. Table 1. Modeled estimates (with standard errors) of the percent distribution of household telephone status for adults aged 18 and over, by state: United States, 2017

² NCHS, National Health Interview Survey, 2013–2017; U.S. Census Bureau, American Community Survey, 2012–2016; and infoUSA.com consumer database, 2013–2017 Table 2. Modeled estimates (with standard errors) of the percent distribution of household telephone status for children under age 18, by state: United States, 2017

³ See, 47 C.F.R. § 9.3 and 47 C.F.R. § 64.601(a).

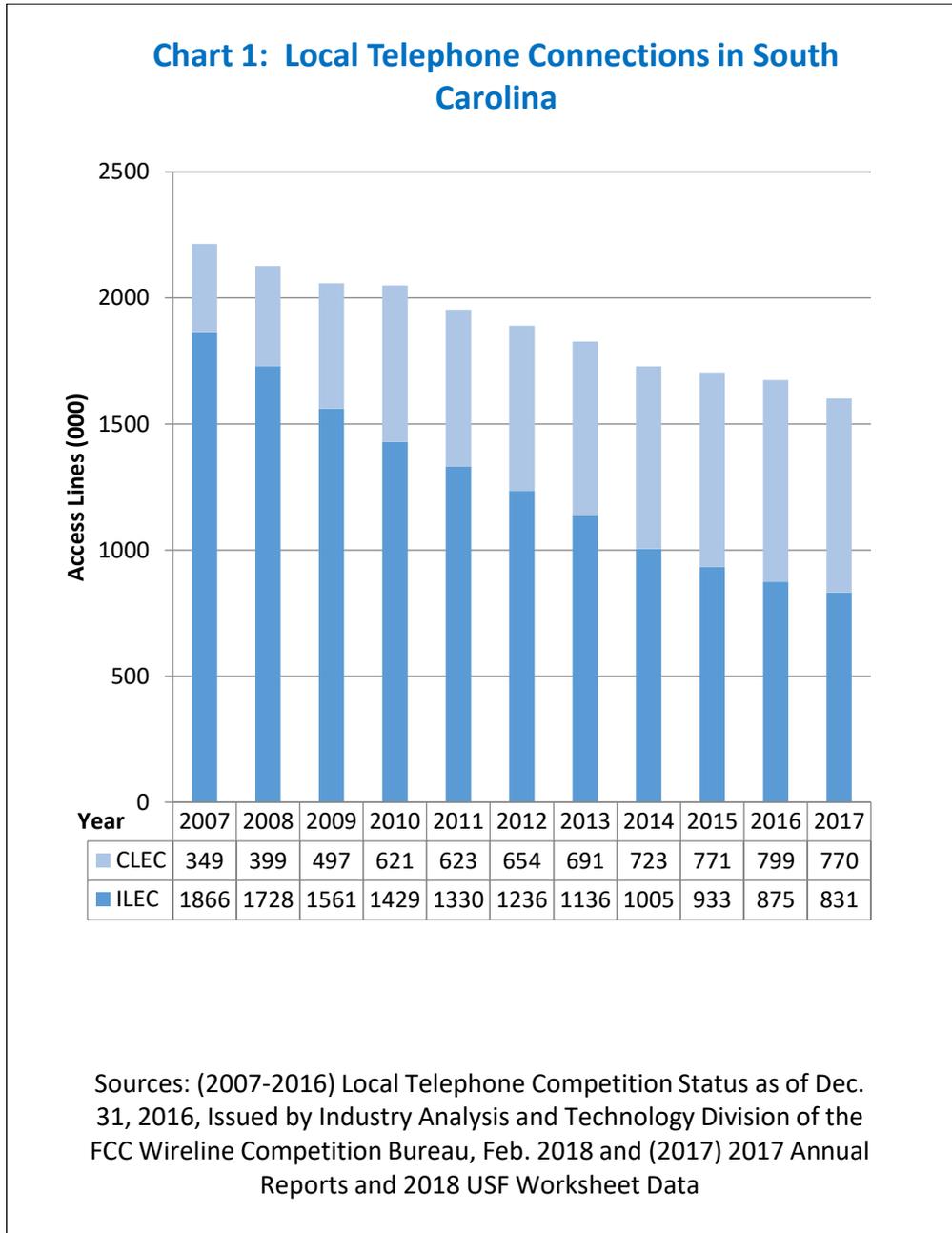
⁴ See 47 C.F.R. § 64.604(c)(5)(iii)(A) for TRS and 47 C.F.R. § 54.706 for USF.

generally being treated in many respects as traditional telecommunications carriers.

Based on South Carolina legislative and regulatory changes made during 2016, both cellular and VoIP providers are now, as of January 1, 2018, required to contribute to the South Carolina TRS Fund. In addition, based on two 2016 Public Service Commission orders, wireless carriers began contributing to the SC USF on January 1, 2017, and non-certificated VoIP providers began contributing to the SC USF on January 1, 2018.



Chart 1 illustrates the gradual decline in total wired access lines occurring since 2007.



Incumbent Local Exchange Carriers

During 2017 the ILEC market share continued its steady decline in South Carolina, with market share at 52%. In 2018, 24 of 25 ILECs in South Carolina were operating under the Alternative Regulation provisions of the Code, Section 58-9-576(B) or (C). One ILEC remained rate-of-return regulated in 2018 (*See Table 1, page 11*).

Competitive Local Exchange Carriers

The FCC now refers to competitive carriers as "Other (Non-ILECs)," no longer as CLECs. The ORS will continue to use Competitive Local Exchange Carrier (CLEC). In 2018, 132 South Carolina CLECs provided 770,862 access lines to businesses and residents of the state.

VoIP Providers

As of December 2018, ORS recorded 162 registered VoIP providers serving subscribers in South Carolina. Some of these VoIP providers are certificated CLECs, and some are uncertificated providers of VoIP telephone service.

Wireless Carriers

During 2018, four facilities-based, mobile wireless providers⁵, and another 57 registered wireless resellers, were operating in South Carolina. These wireless companies provided service to nearly 4.6 million wireless subscribers as reported to ORS.

⁵ Communications Marketplace Report et al., GN Docket No. 18-231 et al., Report, FCC-CIRC1812-07 (rel. Nov. 21, 2018).

Broadband Deployment⁶

As of the end of 2017, only 8% of South Carolinians had more than two options for fixed terrestrial broadband service (25 Mbps download or faster). More than 10% had no fixed terrestrial broadband service, and another 38% were served by only one provider. In 2018, ORS received no written complaints regarding the impact broadband services had on the competitive local exchange market.

Alternative Regulation

Prior to the development of competition in the telecommunications market, each ILEC's rates were regulated by the Commission based on the telephone utility's rate of return. With the passage of the federal Telecommunications Act of 1996, as well as legislative changes in South Carolina, ILECs are regulated in a more flexible manner. Section 58-9-576(C) provides local exchange companies the ability to offer nearly all retail local service on a deregulated basis.

If an ILEC or a CLEC opts for alternative regulation pursuant to Section 58-9-576(C) or Act 7, then its retail service offerings are deregulated – thereby allowing them the ability to set price, terms, and conditions without Commission review. In addition, an ILEC choosing Act 7 deregulation will be subject to a three-year phase-down of any SC USF support it receives, but it will continue to contribute to the SC USF. The Commission retains authority over wholesale services — for example, switched access and services sold to other carriers, as well as limited authority over stand-alone basic residential lines.

Lifeline – Eligible Telecommunications Carriers

Beginning in 2007, South Carolina began accepting applications from carriers requesting permission to become Eligible Telecommunications Carriers (ETCs)

⁶ FCC – Broadband Deployment Report, February 2018

offering Lifeline services to low-income households. In addition to the ILECs, South Carolina had 12 wireless Lifeline ETCs actively offering Lifeline at the end of 2018 that were receiving approximately \$14.7 million in total Lifeline support from the federal Universal Service Fund during calendar year 2018.

Consumer Services

ORS tracks a wide range of consumer complaints related to regulated and non-regulated telecommunications services. **Chart 2** depicts a breakdown of complaint calls received by ORS during 2018. By far, the largest area of complaints in telecommunications, 73%, relates to non-regulated aspects of the business. Service quality at 16% and miscellaneous complaints at 12% round out the top 3 complaint areas.

**Chart 2: Consumer Services Department:
Telecommunications Complaints by
Type, Number & Percentage - 2018**

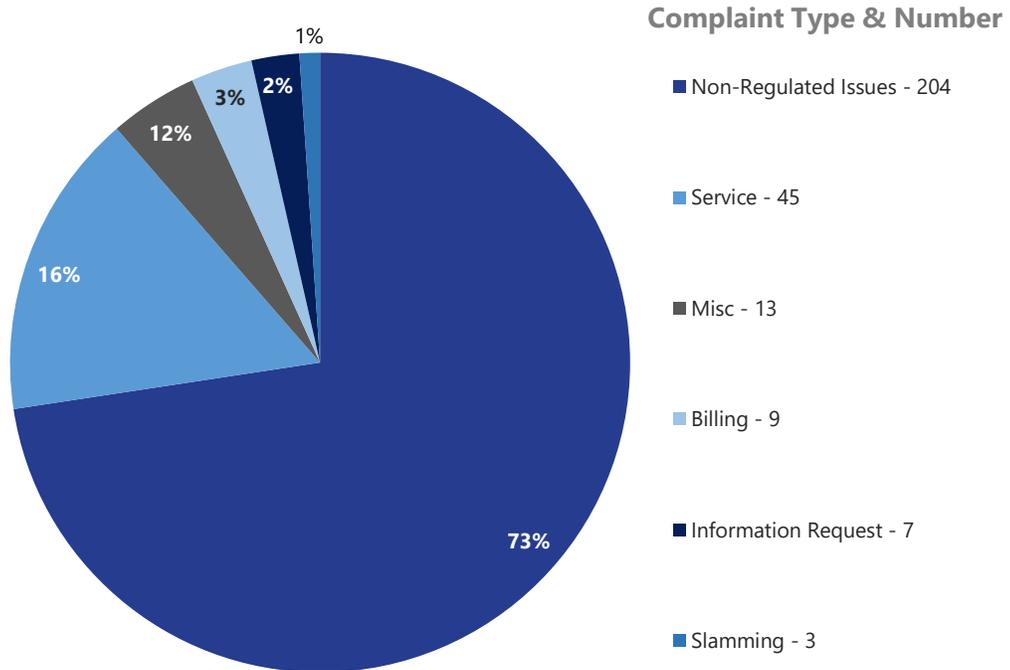


Table 1: Alternative Regulation: ILECs

Carrier	Alt. Reg. § 58-9-576(B)	Alt. Reg. § 58-9-576(C) Act 7	Rate of Return Regulation
United Telephone Company of Carolinas dba CenturyLink, fka Embarq, fka Sprint	29-Sep-1997 ⁷		
BellSouth Telecommunications	13-Aug-1999 ⁷	1-Oct.-09 ⁸	
Frontier fka Verizon South, Inc.	14-Oct-2000 ⁷		
Windstream South Carolina	27-Sep-2002 ⁷		
Horry Telephone Coop.	30-Jan-2003 ⁷		
PBT Telecom	18-Feb-2006 ⁷		
Home Telephone Co.	7-Apr-2006 ⁷		
West Carolina Rural Tel. Coop.	16-Oct-2006 ⁷		
Piedmont Rural Telephone Coop.	12-Jan-2007 ⁷		
Lockhart Telephone Co.	9-Aug-2007 ⁷		
Farmers Telephone Coop.	1-May-2008 ⁷		
Bluffton Telephone Co.	4-Mar-2005 ⁹		
Hargray Telephone Co.	4-Mar-2005 ⁹		
McClellanville Telephone Co. (TDS)	30-May-2005 ⁹		
Norway Telephone Co. (TDS)	30-May-2005 ⁹		
St. Stephen Telephone Co. (TDS)	30-May-2005 ⁹		
Williston Telephone Co. (TDS)	30-May-2005 ⁹		
Fort Mill Telephone Co. dba Comporium	1-Aug-2005 ⁹		
Lancaster Telephone Co. dba Comporium	1-Aug-2005 ⁹		
Rock Hill Telephone Co. dba Comporium	1-Aug-2005 ⁹		
Chester Telephone Co.	9-Aug-2007 ⁹		
Ridgeway Telephone Co.	9-Aug-2007 ⁹		
Chesnee Telephone Co.	23-Aug-2014 ⁷		
Palmetto Rural Telephone Coop.	1-May-2014 ⁷		
Sandhill Telephone Coop.			X

⁷ Company requested Alternative Regulation based on interconnection agreement.

⁸ Company requested Alternative Regulation based on Section 58-9-576(C) which effectively deregulates retail service pricing.

⁹ Company requested Alternative Regulation based on determination that at least two wireless providers have coverage generally available in the LEC's service area.